

The North Coast Repertory Theatre,
A Non-Profit Corporation

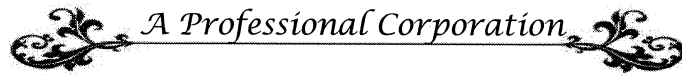
Financial Statements
and
Independent Auditors' Report

For the Year Ended August 31, 2017

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A. M. Owens & Co., CPA



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Board of Directors
The North Coast Repertory Theatre

INDEPENDENT AUDITOR'S REPORT

Dear Members of the Board:

Report on the Financial Statements

I have audited the accompanying financial statements of The North Coast Repertory Theatre, which comprise the statement of financial position as of August 31, 2017, and the related statement of activities and change in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North Coast Repertory Theatre as of August 31, 2017, and the results of its activities and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Report on Summarized Comparative Information

I have previously audited The North Coast Repertory Theatre's August 31, 2016 financial statements and I expressed an unmodified opinion on those financial statements in my report dated January 3, 2017. In my opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016, consistent, in all material respects, with the audited financial statements from which it has been derived.


A. M. Owens & Co., CPA
A Professional Corporation

San Diego, California
January 4, 2018

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Financial Position
August 31, 2017
With Comparative Totals as of August 31, 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 393,904	\$ 399,259
Investments	150,458	150,322
Receivables	18,191	14,769
Prepaid expenses	24,459	15,743
Prepaid production costs	168,977	171,745
Deposits	6,384	6,756
	762,373	758,594
PROPERTY AND EQUIPMENT		
Less: Accumulated Depreciation (Note 2)	93,116	102,976
Total Assets	\$ 855,489	\$ 861,570
CURRENT LIABILITIES	<u>LIABILITIES AND NET ASSETS</u>	
Accounts payable, trade	\$ 25,446	\$ 23,777
Deferred revenue (Note 3)	638,272	669,981
Accrued vacation payable	34,500	32,911
Total Current Liabilities	698,218	726,669
LONG-TERM DEBT	0	0
NET EQUITY (DEFICIT)		
Temporarily restricted net assets	60,523	48,567
Permanently restricted net assets	25,038	0
Unrestricted	71,710	86,334
Total Net (Equity)	157,271	134,901
Total Liabilities and Net Assets	\$ 855,489	\$ 861,570

See the Accompanying Notes to the Financial Statements.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2017
With Comparative Totals as of August 31, 2016

	Unrestricted <u>Fund</u>	Temporarily Restricted <u>Funds</u>	Permanently Restricted <u>Funds</u>	2017 Combined <u>Totals</u>	2016 Combined <u>Totals</u>
SUPPORT AND REVENUE					
Public Support:					
Admissions	\$ 1,367,899	\$ 0	\$ 0	\$ 1,367,899	\$ 1,363,350
Theatre school	217,062	0	0	217,062	153,153
Concessions and other support	96,407	0	0	96,407	82,002
Contributions	913,691	39,000	25,000	977,691	891,974
Interest	105	5	38	148	157
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Support & Revenue	2,595,164	39,005	25,038	2,659,207	2,490,636
EXPENDITURES					
Production costs	2,215,089	26,751	0	2,241,840	1,978,257
General and administrative	149,578	196	0	149,774	144,318
Fund raising	245,121	102	0	245,223	235,864
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	2,609,788	27,049	0	2,636,837	2,358,439
Change in net assets	(14,624)	11,956	25,038	22,370	132,197
Net Assets (Deficit), Begin of Year	86,334	48,567	0	134,901	2,704
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets (Deficit), End of Year	\$ 71,710	\$ 60,523	\$ 25,038	\$ 157,271	\$ 134,901
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See the Accompanying Notes to the Financial Statements.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Cash Flows
For the Year Ended August 31, 2017
With Comparative Totals as of August 31, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 22,370	\$ 132,197
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,860	10,741
(Increase) Decrease in Operating Assets:		
Receivables	(3,422)	47,538
Prepaid expenses	(8,716)	(6,124)
Prepaid production costs	2,768	(44,878)
Deposits	372	(2,231)
Increase (Decrease) in Operating Liabilities:		
Accounts payable	1,669	(49,696)
Deferred Revenue	(31,709)	74,474
Accrued vacation	1,589	5,139
	(5,219)	167,160
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	0	0
NET CASH USED BY INVESTING ACTIVITIES	0	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	0	0
NET CASH USED BY FINANCING ACTIVITIES	0	0
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,219)	167,160
BEGINNING CASH AND CASH EQUIVALENTS	549,581	382,421
ENDING CASH AND CASH EQUIVALENTS	\$ 544,362	\$ 549,581
Interest Paid	\$ 231	\$ 129
Taxes Paid	\$ 0	\$ 0

See the Accompanying Notes to the Financial Statements.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Functional Expenses
For the Year Ended August 31, 2017

	<u>Production Costs</u>	<u>General Admin.</u>	<u>Fund- Raising</u>	<u>2017 Total</u>	<u>2016 Total</u>
Salaries	\$ 849,949	\$ 64,611	\$ 116,979	\$ 1,031,539	\$ 922,776
Payroll Taxes	99,001	6,166	11,164	116,331	99,246
Employee Benefits	167,858	5,087	9,211	182,156	161,257
Total Payroll Expenses	1,116,808	75,864	137,354	1,330,026	1,183,279
Outside Contractors	57,518	0	0	57,518	54,157
Professional Services	0	12,357	4,000	16,357	16,981
Occupancy	140,585	9,372	6,248	156,205	187,167
Utilities	21,136	1,944	1,215	24,295	25,522
Janitorial	3,654	336	210	4,200	3,900
Supplies/Misc.	9,078	18,156	3,222	30,456	20,894
Concession Supplies	15,712	0	0	15,712	13,624
Communications	35,772	2,578	1,289	39,639	13,625
Postage and Shipping	3,247	2,360	4,824	10,431	8,435
Printing and Copying	58,285	11,438	1,182	70,905	71,274
Travel and Meals	124,610	7,090	102	131,802	114,682
Credit Card Processing/Bank Fees	45,301	839	0	46,140	46,262
Insurance	12,563	1,571	1,571	15,705	14,405
Membership Dues	3,659	0	0	3,659	5,050
Interest	0	231	0	231	129
Advertising and Marketing	203,709	0	4,866	208,575	168,565
Royalties	96,334	0	0	96,334	81,818
Special Events	0	0	77,906	77,906	72,366
Mainstage Events	247,727	0	0	247,727	217,353
Theatre School	37,906	0	0	37,906	24,340
Taxes/Licenses	0	4,698	550	5,248	3,870
Total Expenses Before Depreciation	2,233,604	148,834	244,539	2,626,977	2,347,698
Depreciation	8,236	940	684	9,860	10,741
Total Expenses	\$ 2,241,840	\$ 149,774	\$ 245,223	\$ 2,636,837	\$ 2,358,439

See the Accompanying Notes to the Financial Statements.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
For the Year Ended August 31, 2017

Note 1 - Summary of Significant Accounting Policies

General

The North Coast Repertory Theatre, A Non-Profit Corporation (the Theatre) is a non-profit organization incorporated in California in 1982. Its stated purpose is to educate the public in an appreciation of the theatre arts through stage productions of consistent quality, to be recognized as the premier professional regional live theatre in San Diego North Coastal County, to provide educational services for audiences of all ages, focusing on the youth if the community and to provide an opportunity for actors and theatre professionals to develop their artistic skills though participation in the Theatre's productions.

Basis of Accounting

The financial statements of the Theatre have been prepared on the accrual basis in accordance with generally accepted accounting principles in the United States of America.

Basis of Presentation

The Theatre is required to report information regarding its financial position and activities according to three classes of nets assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The Theatre's program expenses are shown as production costs in the accompanying statements of activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Temporarily restricted net assets are reported in Note 4. Permanently restricted net assets are reported in Note 5.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Promises to Give

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

Acquisitions of property and equipment in excess of \$500 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Ticket Sales

Ticket sales received prior to the fiscal year to which they apply are not recognized as revenues until the year earned.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Income Tax Status

The Theatre is classified as a Section 501(c) (3) Organization under the Federal Internal Revenue Code and Section 13.2210 (e) of the State Revenue and Taxation Code. As a result, it has been determined to be exempt from federal income and state franchise taxes. Tax years 2013-2015 are open to examination by taxing authorities.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Investments

Investments with readily determined market value are carried at market value and unrealized gains and losses are treated as current items in the year in which they occur. Investments without readily determined market values are carried at cost.

The FASB issued authoritative guidance relating to fair value measurements which establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

The Theatre measures fair value at the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market and participants at the measure date. The guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values.

A summary of the fair value hierarchy under the authoritative guidance is described in Note 5.

Comparative Totals for August 31, 2016

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Theatre's financial statements for the year ended August 31, 2016, from which the summarized information was derived.

Note 2 – Property and Equipment

The following is a summary of property and equipment, less accumulated depreciation and amortization at August 31, 2017:

		<u>2017</u>
Construction in progress	\$	47,194
Leasehold improvements		161,576
Furniture and equipment		274,472
		483,242
Accumulated depreciation and amortization	(390,126)
Property and Equipment - Net	\$	93,116

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2017

Note 3 – Deferred Revenue

The Theatre had received \$638,272 at August 31, 2017, on advance ticket sales for the next theater season. As each production is presented, the portion of the advance sales collections that pertains to that production will be recognized as revenue. In the event any of the scheduled productions for the season are not presented, the advance ticket collections for that production will be available for refund to the ticket holders.

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of August 31, 2017:

Purpose Restrictions	<u>2017</u>
Drama Queens - Development	\$ 5,494
Capital Campaign	43,230
Computer Equipment and Website	11,799
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Total	\$ 60,523
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Note 5 – Permanently Restricted Net Assets

Permanently restricted net assets were \$25,038 as of August 31, 2017. These funds are held in an agency endowment fund at The Jewish Community Foundation (JCF).

No later than April 1st of year commencing after the fair market value of the fund reached the amount of \$50,000, JCF shall distribute to the Theatre an amount equal to the JCF payout rate multiplied by the fair market value of the fund (the “available amount”). The term “fair market value of the fund” shall mean the value of all cash and securities held by the fund, including all earnings and unrealized appreciation thereon, as determined by JCF. The term “JCF payout rate” shall mean the percentage rate determined by the Board of Directors of JCF pursuant to California law with respect to distributions from endowment funds.

JCF shall have all powers necessary to carry out the purposes of the fund, including, but not limited to, the power to retain, invest and reinvest the fund in any manner consistent with the California Uniform Prudent Management of Institutional Funds Act, and shall have the power to commingle the assets of the fund with those of other funds for investment purposes, provided that such commingling shall not contravene the purpose and limitations set forth in this agreement. JCF shall have the ultimate authority and control over all property in the fund, and the income derived therefrom, subject to the terms of this agreement and the standards for investment governing nonprofit public benefit corporations under California Corporations Code Section 5240. The fund shall be administered under and subject to the procedures and/or rules for the operation of permanent endowment funds as the same may be adopted, or modified from time to time, by JCF.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2017

Note 5 – Permanently Restricted Net Assets (continued)

The fund shall be administered under and subject to the Bylaws, Articles of Incorporation and the endowment policies of JCF in effect from time to time. JCF shall have the power to modify and restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organization if, in the sole discretion of the Board of Directors (without the necessity of the approval of the Theatre or any beneficiary organization), such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. All money and property in the fund shall be assets of JCF, and not a separate trust, and shall be subject only to the control of JCF. Even though the fund may not be segregated, separate accounting records will be maintained for the fund. Nothing in this agreement is intended to be inconsistent with the status of JCF as an organization described in Sections 501(c)(3) and 509(a) of the Internal Revenue Code of 1986. JCF is authorized to amend this agreement to conform to the provisions of any applicable law or government regulation in order to carry out the foregoing intention.

Note 6 – Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following details the level within the fair value hierarchy of the Theatre's assets as fair value as of August 31, 2016. Level 1 investments consist of money market funds and totaled \$150,322. There were no Level 2 or Level 3 investments.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2017

Note 6 – Fair Value Measurements (continued)

Investments at fair market value at August 31, 2017, consist of the following:

	<u>Adjusted Cost</u>	<u>Fair Market Value</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>
Equities (Level 1)				
Money Market Funds				
US Bank & LPL	\$ 170,496	\$ 170,496	\$ 170,496	\$ 0

Investment return for the year ended August 31, 2017 included in the statements of activities is comprised of the following:

	<u>2017</u>
Realized and unrealized losses	\$ 0
Interest and dividends	148
	<u>\$ 148</u>

Note 7 – Cash and Equivalents

At August 31, 2017, cash was held in the following institutions:

Change Funds	\$ 570
Union Bank - checking (2 accounts)	129,012
Wells Fargo (2 accounts)	80,320
US Bank (4 accounts)	334,365
LPL Financial	95
	<u>\$ 544,362</u>

Concentration of Credit Risk

The Theatre maintains its cash in bank accounts and brokerage accounts, which, at times, may exceed federally insured limits. The Theatre has not experienced any losses in such accounts. The Theatre believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts are insured by the FDIC for amounts up to \$250,000.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2017

Note 8 – Restricted Assets – San Diego Foundation

Total assets with a fair market value of \$32,977.25 are held in the North Coast Repertory Theatre endowment fund of the San Diego Foundation and invested by the Foundation. The society has no ownership rights over the principal but receives investment income semi-annually from these assets. Total investment income received from the San Diego Foundation for the year ended August 31, 2017 was \$1,291.

Note 9 – Subsequent Events

Events subsequent to August 31, 2017 have been evaluated through January 4, 2018, the date these financial statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no subsequent events.